

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 1st Meeting of the 2004 Calendar Year

August 3, 2004

The first meeting of the Capital Planning Advisory Board (CPAB) was held on Tuesday, August 3, 2004, at 10:00 AM, in Room 327 of the Capitol. Representative Perry Clark, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Perry Clark, Co-Chair; Bradford Cowgill; James Deckard; Paul Gannoe; Bill Hintze; William May; Norma Northern; John Roach; Laurel True; Garlan Vanhook; Judge William Wehr; and Melinda Wheeler.

Guests Appearing Before the Board: Jim Abbott, Commissioner, Department for Facilities and Support Services, Finance and Administration Cabinet; and Tom Layzell, President, Council on Postsecondary Education.

LRC Staff: Pat Ingram, Mary Lynn Collins, Nancy Osborne, and Dawn Groves.

Representative Clark asked for a moment of silence in memory of former Board member Senator Paul Herron who passed away earlier this summer. He announced that Senator David Boswell has been named to fill this vacancy on the Board.

Representative Clark then welcomed Senator Jack Westwood as the new co-chair of the Board and expressed appreciation for Senator Albert Robinson's service in that capacity last year. Senator Westwood said he looked forward to working with everyone on the Board.

Representative Clark also introduced and welcomed the following new members to the Board: Executive Branch appointees Brad Cowgill, Paul Gannoe, and John Roach, and Judicial Branch appointee Melinda Wheeler. He noted that they would be taking positions previously held by Lou Karibo, Glenn Mitchell, Sherron Jackson, and Cicely Lambert. Representative Clark noted that these former members had made important contributions to the planning process while on the Board and asked that staff prepare a letter to each – including Senator Robinson and Senator Herron's family – expressing the Board's appreciation for their service and wishing them well in the future.

At Representative Clark's request, CPAB Staff Administrator Pat Ingram introduced the other members of the CPAB staff – Dawn Groves, Mary Lynn Collins, and Nancy Osborne.

On a motion by Mr. Hintze that was seconded by Ms. Northern, the minutes of the October 24, 2003 Board meeting were approved by voice vote.

Representative Clark explained that the focus of the Board's work is the development of a statewide capital improvements plan every two years. He then asked Ms. Ingram to provide a brief overview of that process, including the tentative schedule.

Ms. Ingram said she would be reviewing the agenda item as included in the members' folders. She explained that the capital planning process is directed by KRS Chapter 7A, which requires in odd-numbered years that agencies of all three branches of government submit information on their capital project needs for the upcoming six-year period and that the Board develop a statewide capital improvements plan. Projects that must be submitted in the agency plans include construction, equipment items, information technology systems, state-administered grant and loan programs, and court facilities.

Regarding the calendar, Ms. Ingram said that by the end of this year, the Board will need to approve the instructions and forms for the agencies to use in submitting their plans. The two dates that will guide the process during 2005 are set by statute. April 15 is the due date for agency plans to be submitted to the Board, and November 1 is the due date for the Board to approve its statewide capital improvements plan to be transmitted to the heads of the three branches of government.

There being no questions, Representative Clark then explained that most CPAB meetings this year would involve information gathering to help in developing the statewide plan next year. The agenda for this meeting consists of presentations from two agencies that have major responsibilities with regard to capital projects and capital planning – the Finance and Administration Cabinet and the Council on Postsecondary Education. Representative Clark first introduced Jim Abbott, Commissioner of the Department for Facilities and Support Services, to make the presentation on behalf of the Finance and Administration Cabinet. He also noted the presence of Cabinet Secretary Robbie Rudolph in the audience and invited him to make comments if he wished.

Commissioner Abbott said he would address four topics – the long-range plan for housing state agencies in Franklin County, the long-range plans for housing agencies in the metropolitan areas, implementation of the real properties/facilities management database, and other efforts to improve the efficiency of housing state agencies.

With regard to the long-range plan for Franklin County, Commissioner Abbott reviewed a handout that was distributed to Board members. The first page listed buildings requiring renovation to address functional obsolescence issues. Commissioner Abbott specifically noted that the mechanical and electrical systems in these buildings were not intended to handle the modern technology that is used today, the building layouts are designed for the use of traditional furniture rather than modular furniture, and the building envelopes require a lot of work to stay functional. He said that modular furniture, as used in recent state construction and renovation projects, allows more people to be housed in the facility.

Specifically concerning the Capitol, Commissioner Abbott said the roof is a patchwork of repairs. Also, the tunnels serving the campus contain both steam and electrical lines, which creates problems because the electrical service must be shut down to make repairs to the steam lines.

The second page in the handout listed finished construction (Transportation Cabinet Building, Public Service Commission Building, and Kentucky Higher Education Assistance Authority Building), proposed additional construction (new 300,000 square foot [SF] state office building, and new Executive Office Building to alleviate overcrowding in the Capitol), and proposed renovation (Jones Building) that has already or will reduce the amount of leased space in Franklin County.

The third page in the handout showed the utilization of state-owned vs. leased buildings in Franklin County at various intervals from 1980 through 2004. Commissioner Abbott noted that two events had resulted in major increases in the leased square footage: 1) the LRC directive in the early 1990s for the executive branch to vacate space in the east end of the Capitol Annex resulted in the need to lease space for the Department of Personnel and the Revenue Cabinet, and 2) the creation of the Kentucky Community and Technical College System (KCTCS) in the late 1990s resulted in the Department of Mines and Minerals being relocated to leased space in Franklin County from state-owned space in Lexington in order to house the KCTCS administrative offices in the Lexington space (Spindletop Building).

The fourth page discussed by Commissioner Abbott addressed changes in the master plan for housing state agencies in Franklin County. The goal of the master plan is to reduce leased space in the range of 750,000 to 1,000,000 SF; this is from a starting point of 1,910,369 SF. Various actions have already resulted in a reduction of approximately 200,000 SF, the proposed construction of a new state office building and renovation of the Jones Building would eliminate an additional 375,000 SF of leased space, and completion of the functional obsolescence renovations of the various major buildings would result in a further reduction of 350,000 SF. The total reduction in leased space pursuant to the plan would be 957,594 SF. Commissioner Abbott said while the “old” plan called for the 350,000 SF reduction not to occur until at least 2015 after

completion of all of the functional obsolescence renovations, the “new” plan calls for 350,000 SF of leased space to be vacated upon completion of the state office building renovation, which is anticipated in 2007. Renovation of the other buildings would still occur, but only a portion of each facility would be vacated at any one time. Commissioner Abbott noted that in the private sector an owner would never move all of the tenants out in order to renovate a building.

Moving to the issue of state offices in the metropolitan areas, Commissioner Abbott said state agencies will be relocated from leased space into two state-owned buildings in Louisville that have vacant space (30,000 SF in the Department for Employment Services building at Sixth and Cedar and 11,000 SF in the L&N Building). He said this will have a significant impact on the amount of leased space in Jefferson County. In Lexington, efforts are being made to identify an agency or agencies to relocate from leased space into the state-owned Spindletop Building that will be vacated when KCTCS moves to its new facility. Commissioner Abbott said Northern Kentucky is currently a stagnant market, with no similar opportunities to relocate agencies from leased to state-owned space.

With regard to the real properties/facilities management database (Archibus), Commissioner Abbott said in the Division of Real Properties deeds, leased space, and state-owned space are all being handled through the new system. Implementation of the system for work orders handled by the Divisions of Mechanical and Building Services should be completed in 60 to 90 days. The next phase will be a capital construction module to be implemented in the Division of Engineering and Contract Administration. Commissioner Abbott said a separate software package from C2 Facility Solutions is also being reviewed that would store and track information about the ongoing maintenance in buildings. The desire is to use something for this purpose that would be compatible with Archibus to avoid double entries.

In response to Representative Clark’s questions about plans for expanding the implementation of Archibus to other agencies and the universities, Commissioner Abbott said the universities will be invited to the next meeting with representatives of Archibus and Facility Solutions.

In concluding his presentation, Commissioner Abbott referenced efforts being made to improve efficiency in housing state agencies including using modular furniture, which can increase the population density by 20 percent, and energy conservation measures.

Mr. True noted that the Board had been recommending the construction of a new state office building for several years not only to save the cost of leased space but also to provide operational efficiencies. Commissioner Abbott said that project is on their list.

He added that the state owns land on which such a building could be constructed and prototypes have been developed that could reduce the design costs.

In response to Representative Clark's question, Commissioner Abbott said the proposed legislation that would allow the state's Capital Construction and Equipment Purchase Contingency Fund to be used for moving costs is a great idea. He said lack of funds for moving expenses is the first problem encountered when agencies are identified to move from leased to state-owned space. Relative to Representative Clark's question about requiring funds to be set aside to fund future maintenance costs of state-owned buildings, Commissioner Abbott said similar approaches have been successful in both Virginia and Florida.

Senator Westwood asked the status of the moratorium on new and expanded leases that had been imposed in the 2002-04 budget. Commissioner Abbott said Secretary Rudolph had issued a letter directing that the moratorium be continued after the budget expired on July 1.

Regarding Representative Clark's question on the status of establishing a "Capital Corridor" that would provide green space along the Kentucky River on the approach to the Capitol campus from the East-West Connector, Commissioner Abbott said the property that has been purchased, cleaned up, and sown with grass has made a significant improvement in that area. He said the state is interested in purchasing the remaining properties (CC Moore and Penn), but negotiations with the owners have been unsuccessful thus far.

Representative Clark thanked Commissioner Abbott for his presentation. He then introduced Tom Layzell, President of the Council on Postsecondary Education (CPE), to address capital projects and planning related issues of the postsecondary institutions.

President Layzell reviewed a handout that had been distributed to members. As listed on the handout, he noted the purposes and goals of the 1997 Kentucky Postsecondary Education Improvement Act, and the five questions that are being used as key indicators of progress. He said Kentucky has made great progress, but there is still a long way to go. A new strategic agenda for the state is currently being developed.

Specifically addressing capital projects, President Layzell said a comprehensive review of the funding model for postsecondary education is now underway and will include a review of the process for developing capital budgets and capital recommendations. He said the capital budget process needs to be more refined in terms of how project scopes and cost projections are developed, how priorities are determined, and how priorities are linked to goals in the strategic agenda. The timeline for the comprehensive review calls for recommendations to be presented to the CPE in November 2004 and then used in the next biennial budget process.

President Layzell next reviewed a slide showing the levels of capital projects support provided to postsecondary education in the biennia since the 1997 reform. He said he applauded having capital renewal pools, which require matching funds from the institutions to access the state funds.

Noting that there are currently five postsecondary education centers in operation (London/Corbin, Glasgow, Hopkinsville, Prestonsburg, and Elizabethtown), President Layzell said the CPE supports the concept as a means of extending access to citizens and increasing educational attainment. He said the CPE has not done a formal assessment of the need for the four additional centers that have been proposed (Manchester, Owensboro, Madisonville, and Franklin).

In concluding, President Layzell addressed the conflict between the timing of the CPE's recommendations and the Board's requirement to submit a statewide capital improvements plan by November 1 of odd-numbered years. He said the CPE should be able to provide its priorities for use in the planning process earlier than in the past. He committed to working with CPAB and its staff to better coordinate that process.

Senator Westwood asked how the CPE measures whether Kentucky's communities and economy are benefiting from postsecondary education reform (one of the five indicators of progress). President Layzell said research and development funding and expenditures have been the primary measure, but they are working to develop some additional measures for that indicator.

In response to Mr. True's questions about the regional centers, President Layzell said they involve both the local KCTCS institution and a four-year institution, with CPE facilitating the coordination. He added that the centers need to be spread throughout the state to provide accessibility, but that the Kentucky Virtual University is another form of access to postsecondary education. President Layzell said the institutions offer instruction at many locations throughout the state, so there is a lot of physical access available. The challenge is to coordinate the activity, and the CPE is trying to get a handle on just how much instruction is being provided at such sites.

Representative Clark asked about "agency bond authority," which was listed as one of the CPE's general priorities for capital projects since the 1997 reform. President Layzell noted that these bonds are supported by tuition and fee and auxiliary enterprise revenues. He said a huge list of projects with this fund source is submitted each year, and there is a need to refine that list. Relative to whether revenue bond authorizations should be subject to the overall state bonding capacity limits, President Layzell said two other states in which he had worked (Illinois and Mississippi) had separate bonding authority for the institutions. He said Kentucky has a different history and tradition, so there is a need to examine whether that would be appropriate here.

In response to Representative Clark's question about possibly requiring funds for future maintenance needs to be set aside when projects are authorized, President Layzell said that is being considered as part of the capital projects process review, and the CPE may develop a policy to do that. He said the amount of deferred maintenance continues to grow and either funds need to be set aside for that purpose, or postsecondary education needs to stop complaining about deferred maintenance.

Representative Clark thanked President Layzell for his presentation. There being no further business to come before the Board, Senator Westwood's motion to adjourn was seconded by Mr. Hintze. Without objection, the meeting was adjourned at 11:20 a.m.